

## SUMMARY ANALYSIS OF AMENDED BILL

Author: Cunneen & Alquist Analyst: Kristina North Bill Number: AB 1713

Related Bills: See previous analyses Telephone: 845-6978 Amended Date: APTBA

Attorney: Doug Bramhall

Sponsor:

**SUBJECT:** Employer Public School Or Vocational Institution Teachers Credit/Open Enrollment Class Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

☒ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced on January 28, 1998, and amended on March 4, 1998 and April 13, 1998.

☒ FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED JANUARY 28, 1998, STILL APPLIES.

☒ OTHER - See comments below.

### SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would authorize a credit to taxpayers equal to 50% of the qualified expenses paid or incurred during the taxable or income year in connection with lending a qualified employee to a high school, community college or vocational school for the purpose of teaching math or science.

Under the PITL and the B&CTL, this bill also would authorize a credit to taxpayers equal to 50% of qualified expenses paid or incurred during a taxable or income year in connection with allowing a public school teacher to attend an employer-sponsored education class by using an open enrollment space.

These credits will be discussed separately in this analysis.

### SUMMARY OF AMENDMENT

This proposed amendment would make changes to the credits as discussed below. Except for these changes, the department's prior analysis still applies. The implementation considerations are restated as follows and a new revenue estimate is provided.

DEPARTMENTS THAT MAY BE AFFECTED:

\_\_\_ STATE MANDATE

\_\_\_ GOVERNOR'S APPOINTMENT

Board Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
\_\_\_X\_\_\_ PENDING

Agency Secretary Position:

\_\_\_ S \_\_\_ O  
\_\_\_ SA \_\_\_ OUA  
\_\_\_ N \_\_\_ NP  
\_\_\_ NA \_\_\_ NAR  
DEFER TO \_\_\_\_\_

**GOVERNOR'S OFFICE USE**

Position Approved \_\_\_  
Position Disapproved \_\_\_  
Position Noted \_\_\_

Department/Legislative Director Date  
**Johnnie Lou Rosas** **5/12/98**

Agency Secretary Date

By: Date:

#### ***LENDING QUALIFIED EMPLOYEE TO TEACH MATH AND SCIENCE***

The proposed amendment would:

- ◆ allow the lending of a qualified employee to a "high school" to qualify for purposes of this credit;
- ◆ redefine "public school" to include high schools;
- ◆ allow the credit for lending a qualified employee to a high school only when the employee has been issued or is eligible to be issued an eminence credential pursuant to the Education Code; and
- ◆ eliminate legislative intent language to examine the feasibility of extending this credit to high schools.

#### **Implementation Considerations**

- ◆ For this bill to carry out the sponsor's intent that employees "teach" high school, community college and vocational institution students, not just serve as guest speakers, and for the department to effectively implement this credit, definitions are needed for: "teaching," "lending," "preparation time," "employment speciality," "math and science," and "teaching services."
- ◆ It is unclear if a "vocational institution" would include private schools or adult educational institutions. A definition is needed for "vocational institution" for the department to process this credit.
- ◆ Further definition is needed for "qualified expenses."
- ◆ For the department to process this credit, verification would be necessary to document that a "qualified employee" teaching in a high school has been issued or is eligible for issuance of an "eminence credential."
- ◆ The department would have difficulty verifying preparation time, which would qualify for the credit.

#### **Technical Considerations**

The school must certify certain items for the credit to be allowed. Further language should be added to this provision to require the taxpayer to provide a copy of the certification to the department upon request.

#### ***PUBLIC SCHOOL TEACHER TO ATTEND EMPLOYER-SPONSORED EDUCATION CLASS BY USING AN OPEN ENROLLMENT SPACE***

The proposed amendment would make no changes to this credit, however, implementation issues that still apply are restated below.

### Implementation Considerations

- ◆ In order for the department to effectively implement this portion of the bill, definitions are needed for: "public school teacher," "employer-sponsored education class" and "open enrollment space."
- ◆ Further definition is needed as to what items would constitute "qualified expenses" (i.e., transportation, travel time, parking, teaching supplies, class materials, equipment, etc.).
- ◆ The department would have difficulty verifying that the credit requirements have been met.

### Tax Revenue Estimate

Based on data and assumptions discussed below, revenue losses from this bill are estimated to be as follows:

Estimated Revenue Impact of AB 1713 As Amended April 22, 1998 Taxable/Income Years After 12/31/98 Through 1/1/2004 (In \$Millions)			
Fiscal Years	1998/99	1999/00	2000/01
T O T A L S	(minor)	(1)	(1)

Note: Minor means less than \$500,000;

Any possible changes in employment, personal income, or gross state product that might result from this bill are not taken into account.

### Tax Revenue Discussion

#### **A) *Loaned Employee Credit:***

Revenue losses would depend on the number of qualified employees loaned to California public high schools, community colleges, or vocational institutions for teaching math or sciences, the amount of total expenses incurred by employers, and their respective income tax liabilities. This estimate was based on available information pertaining to math and science teachers in California public high schools and community colleges.

- According to the California Department of Education, the number of math and science teachers in California public high schools (grades 9-12) was nearly 12,800 in full-time equivalents (FTE) during the school year 1996/97. These schools project the need for an additional 1,300 math and science teachers.
- Based on an estimate from Community Colleges Chancellor's Office, public community colleges had about 4,000 math and sciences teachers for the 1996/97 school year, and there is a demand for approximately 10% additional teachers for these classes (i.e., 400 teachers in full-time equivalent).
- It was assumed that loaned employees under this bill would constitute approximately 1.5% of the classroom hours corresponding to these schools'

demand (over 50,000 hours), and that school districts would issue eminence credentials for high school instruction.

- Since there is no definition for "vocational institutions," it is assumed that the number and hours of loaned employees for all California "vocational institutions" would be equivalent to community college levels.
- Total qualified employer expenses for these employees are projected to be over \$2 million (based on average yearly salary of \$50,000 and \$15,000 of additional employer expenses, such as fringe benefits, payroll taxes and other costs).
- At a 50% tax credit, the order of magnitude would be minor losses (less than \$300,000) in the first year increasing to \$1 million by 2000/01.

***B) Employer-Sponsored Classes Credit:***

Revenue losses would depend on the number of open-spaces in employer-sponsored educational classes filled by California public school teachers (high school and community college level) during a school year, the employers' expenses and their respective income tax liabilities.

This estimate was based on assumptions regarding overall participation rates for full-time and part-time teachers in California public high schools (grades 9-12) and community colleges. In addition, qualified "classes" are understood to be regular classroom settings during working hours - not special banquets, conferences, and the like.

It was assumed that 1% of all teachers (over 2,800) would be able to use open spaces in employer-sponsored classes during a school year for an average expense per attendee of \$150.

Revenue losses from a 50% credit are projected to be insignificant (less than \$100,000) in the first fiscal year (shorter period) and minor (less than \$500,000) in the following years.

The deduction offset was considered for both credit estimates.